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9 October 1950

MEMORANDUM FOR: ADPC

SUBJECT: Employment of Agents by Contract -- Compensation for.

ENCLOSURE: FE Memorandum of 29 September 1950, to OS-III, justifying proposed contract for \$12,000.

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1. In the case of staff agents, who are actually staff employees performing services under cover and appointed under pseudonym for security reasons, the rates of compensation provided in the contract follow the appropriate GS grade and thus no particular problem exists. In the case of other agents, however, Agency regulations are silent as to rates of pay, and discussion of the problem with the Special Support Staff produces only the criteria of sound judgment applied to the individual operating situations. We have been forced to pay different amounts for essentially the same service because of the individual circumstances involved. The SSS (Mr. [REDACTED]) is fully aware of this problem and is now attempting to develop certain criteria and principles for application in such cases.

2. There is now before this office for approval a proposed contract at the rate of \$12,000 per annum, to purchase information and services from a highly important agent who will devote approximately 50% of his time to our business. Out of the \$12,000 to be paid this agent, it is anticipated that he may expend approximately \$1,000 for travel on our business and \$2,500 for entertainment on our behalf, so that his total in-pocket compensation would be only \$8,500. There is, also, an expenditure of approximately \$2,000 for the round-trip to the area, which may be charged in part to OPC business, although the record indicates that he is going to the area on his company business.

3. At least one of the operating Divisions have indicated that they are considering the employment of other agents at compensation ranging up to \$15,000 per year. Such rates of compensation may be

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justified in terms of caliber of the individual required for successful execution of our operations, and the reluctance of outstanding people to go to the areas in question to undertake the hazardous duty involved. There is likewise for consideration the fact that such contracts are normally for a one-year period with the option for termination at an earlier date. The difficulty of arranging for leave of absence or breaking ties with a going business is an additional factor.


4. Since the rates of compensation that may be involved in the case of a limited number of our agents is, on the surface, excessive but may be justified on the basis of the circumstances involved, you may want to apprise the new Director and Deputy Director of this situation in order to forestall any possible criticism that might be directed at OPQ. Once the Agency establishes some criteria for application to these cases, we will, of course, follow the regulations.

5. Please return enclosure to CS-III.

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Chief, Staff III

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cc: SSS (Mr )
C FE